

What's New with Registration And Reporting Requirements

Presented by-The Secretary of State and The Department of Revenue



What Every Nonprofit Board Member Should Know

- New Online Renewal / Nonprofit Corporations
- Registration with the Charities Program
- New Tiered Financial Reporting Requirements
- New Requirements with the State Department of Revenue



Filing Non-Profit Corporations

- NEW! Online filing and renewal available at www.sos.wa.gov/corps
 Online filing available 24 hrs 7 days per week
- Paper forms are also available at www.sos.wa.gov/corps
- Corporation records are public information
- File Articles of Incorporation with:
 The Office of The Secretary of State
 - Filing Fee \$30.00 (Expedite Service Additional \$20)



INITIAL FILING REQUIREMENTS

- Name Cannot include a for-profit corporate ending
- <u>Term of Existence</u> Can be perpetual or you can give a specific number of years
- <u>Purpose</u> Explain what the non-profit will be doing
- <u>Dissolution</u> In the event of dissolution what will happen to the net assets.



INITIAL FILING REQUIREMENTS

- Registered Agent Must have a registered agent with a physical address in WA State (18 years/older)
- Name and address of Board of Directors
 (Business or Home address is acceptable)
- Name, address and signature of each Incorporator
- Check IRS requirements for 501(c)3 status www.IRS.gov

Secretary of State forms meet the minimum requirements by law and must be completed in their entirety. Any omissions may cause the filing to be delayed. (Online or paper)



ANNUAL REPORT REMINDERS (paper reports)

- Registered agent, and all registered agent address changes MUST be filed with the Secretary of State (Change of address at the U.S. Post Office is not Sufficient)
- Annual Renewal notification is mailed to the Nonprofit organization two months prior to its due date
- Due date is the anniversary month the initial corporation was filed
- Must be completed in its entirety, even if no changes have been made
- Statement of Change will be no-cost, if approved by legislature

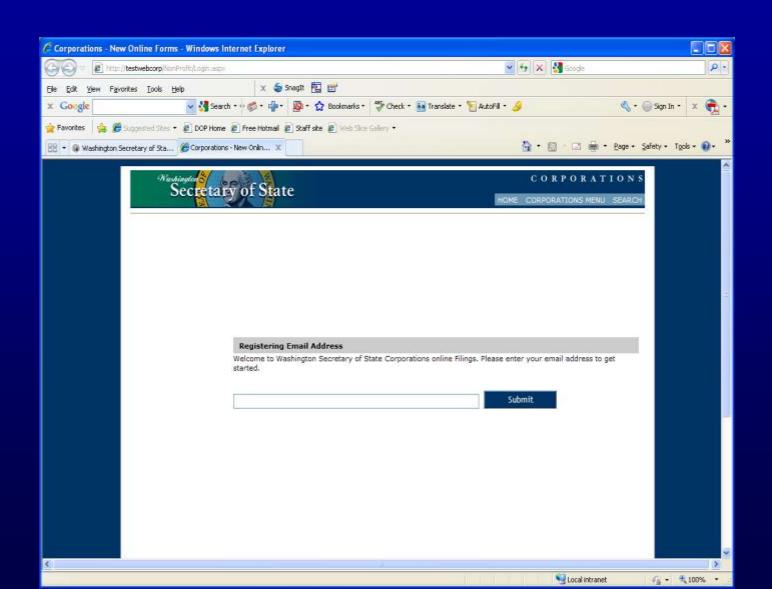


NEW !!! ONLINE ANNUAL REPORTING

- File your Annual Report in minutes
- Pre-populates critical information
- Takes you through the required steps
- Does not let you proceed with incomplete information
- Allows you to print a receipt for your records
- Accepts Visa, MasterCard, American Express

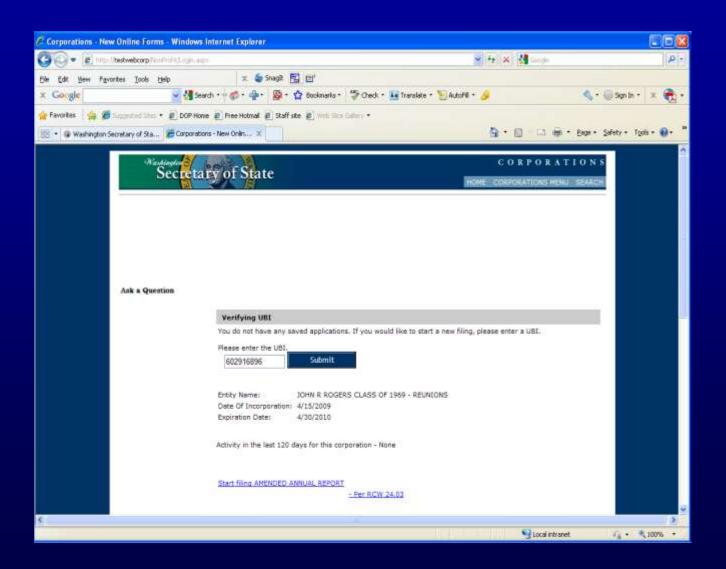


GETTING STARTED ONLINE



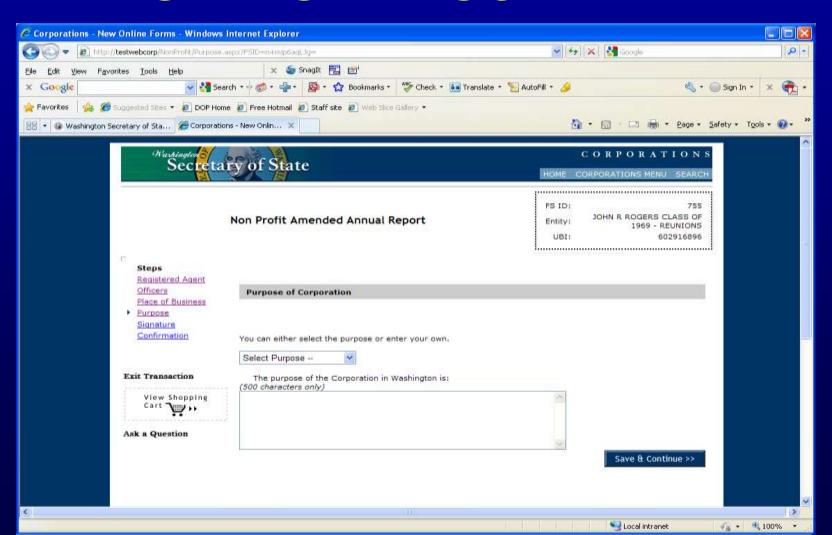


UBI VERIFICATION





CONTINUE THROUGH THE STEPS PRESCRIBED





Corporations Division – Contact Information

Office of the Secretary of State
Corporations Division
PO Box 40234
Olympia, WA 98504
360-725-0377
corps@sos.wa.gov

www.sos.wa.gov



Registration with the Charities Program



Who is required to register with the Charities Program?

CHARITABLE ORGANIZATIONS:

Any entity that solicits or collects contributions from the general public to be used to support a charitable purpose

COMMERCIAL FUNDRAISERS:

Any entity that solicits or receives contributions on behalf of a charitable organization for *compensation*

CHARITABLE TRUSTS:

Any entity holding income-producing assets in excess of \$250,000 (market value) invested and allocated to support a charitable purpose in accordance with the terms and conditions of the trust instrument.



Why do I have to register <u>twice</u> with the Secretary of State?

- The Charitable Solicitations Act (CSA), administered by the Charities Program, is separate from and in addition to requirements of the Non-Profit Corporations Act, Title 24.03 RCW
- Charitable Solicitations Act 19.09 RCW
- Charitable Trust Act 11.110 RCW
- Washington Administrative Code 434-120



decisions

Purpose of the Registration

- (1) Provide information to the donating publica) to help donors make more informed giving
 - b) to aid in the prevention of deceptive and dishonest practices in the name of charity
- (2) Improve transparency and accountability of organizations fundraising for charitable purposes
- (3) Educational program and partnerships to build public trust



Organizations Exempt from Registration / Charities

Political organizations

Churches and their integrated auxiliaries

- Charities raising less than \$25,000 a year when all activities are conducted by volunteers
- Appeals on behalf of a specific, named individual



Initial Registration Requirements

Registration is required **prior** to fundraising in WA

- A registration application
- •All required attachments as listed on the application
- •\$20 initial filing fee
- Registrations accepted by mail or in person (online filing coming soon!)
- Expedited Service available



Financial Reporting Requirements

 CSA amended in 2007 to include tiered financial reporting requirements

 The new tiered financial reporting requirements become effective January 1, 2010



Financial Tiers

• To determine the applicable Tier – look to the organization's "annual gross revenue averaged over the last three fiscal years."

 Annual Gross Revenue is defined as, "the total gross amounts received by or on behalf of an organization from all sources, without subtracting any costs or expenses."



Annual Gross Revenue...

- Is defined as, "the total gross amounts, including cash or noncash contributions received by or on behalf of a charitable organization from all sources, without subtracting any costs or expenses."
- Filers should look to line(s)....
- 990: Part VIII, page nine: enter the sum of line items 8b, 9b, 10b and 12, column (A)
- 990EZ: Part I, page one: enter the sum of line items 6b, 7b and 9
- 990PF: Part I, column (a) page one: enter the sum of line items 1, 3, 4, 5a, 6a, 10a and 11



Three Tiers...

Annual gross revenue averaged over the last three fiscal years...

- Tier 1 = Up to 1 million dollars
 - a. Applicable to existing organizations with less than one million in revenue.
 - b. Applicable to new organizations that have yet to establish a 3 year history.
- Tier 2 = Over 1 million & up to 3 million dollars
- Tier 3 = Over 3 million dollars



What Does Each Tier Require?

Tier 1 – Up to one million dollars

 the organization shall provide a copy of its 990 / 990EZ / 990PF in addition to the required registration material.



Tier 2 Requirements

Tier 2 – Over one million and up to three million dollars.

- The Federal IRS form 990 shall be prepared or reviewed by a CPA, or other professional, independent third-party.
- If the Federal form 990 is not completed and signed by a qualified preparer, the "Independent Review" form is required.



Tier 2 Requirements

Scenario One

A member or officer of the organization prepares and signs the 990.

In this case, an independent third-party review is required.

Scenario Two

An unaffiliated CPA completes and signs the 990.

In this case, an independent third-party review is not required.

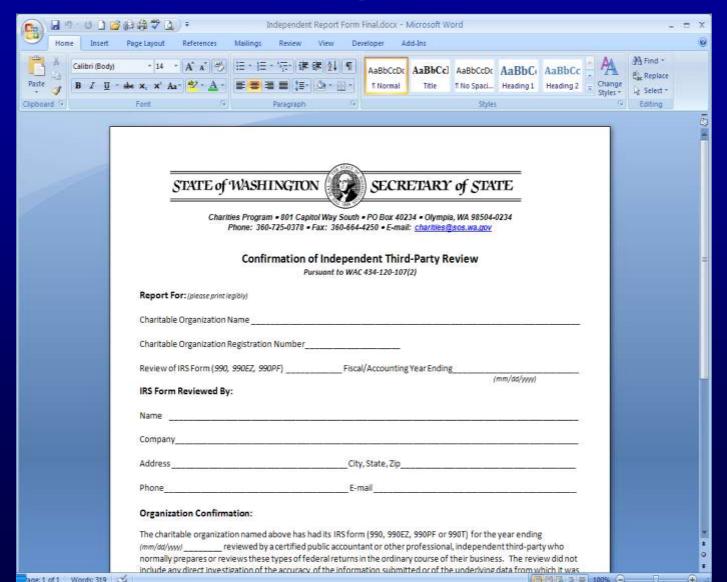


What is a Review?

- There are no "glaring" addition/subtraction errors
- All applicable sections of the 990 are completed
- From a compliance standpoint are all the questions answered properly
- All the applicable attachments and schedules are attached
- The 990 is signed



Tier 2 Requirements





Tier 3 Requirements

Tier 3 – more than 3 million dollars

- The charitable organization must submit an audited financial statement prepared by an independent third-party.
- The exception organizations with less than \$500,000 in cash contributions – the audit is waived and Tier 2 requirements apply.



Frequently Asked Question #1

Q: Will the organization be subject to the new tiered financial reporting if a December 31, 2009 renewal is filed in March 2010?

An organization is due to renew its registration by Dec 31, 2009, but has applied for and received an extension to file the 990 with the IRS. The renewal with the SOS will be filed in March 31, 2010.



Answer....

#1 – Yes, the new tiered financial reporting requirements apply to any filing received January 1, 2010 and after. The reporting requirements are based on the date of filing – not the financial period that's being reported.



Frequently Asked Question #2

Q: Is the organization required to have the 990 reviewed by *another* qualified CPA?

An organization's revenue falls into Tier 2. A CPA serves on the organization's financial committee and completes the 990 at no cost as a service to the organization.



Answer...

#2 – Yes. The regulations require an independent third-party prepare or review the Federal IRS Form.

If someone within the organization has prepared the IRS Form, an independent third-party CPA (or other professional) must review the form. The organization will also need to complete and submit the Independent Third-Party Report Form.



Frequently Asked Question #3

Q: Is the organization required to complete an audit *AND* have the 990 reviewed?

An organization's revenue falls into Tier 3. In addition to submitting an audited financial statement as required by Tier 3, will the organization also need to meet Tier 2 requirements?



Answer...

#3 – Yes, both are required.

The tiered requirements are cumulative. The organization's 990 should be prepared or reviewed, as required in Tier 2, in addition to submitting an audit of the financial statements, as required in Tier 3.



Renewal of Registration

- Renewals required annually
- Due date determined by fiscal/accounting year
- The Charitable Solicitations Registration/Renewal Form
- Provide required attachments listed on renewal form
- \$10 renewal fee
- Registrations accepted by mail or in person
- Expedited Service available



Consequences of Not Registering

- Late fee (\$50 per year)
- Lapse of Registration (no fundraising activities can be conducted)
- Attorney General involvement
 - Legal action, legal fees and/or civil penalty
 - Actions posted to Charities Program website
 - Violating chapter is a gross misdemeanor



State Resources for Charities

- * King County Bar Association: 1-206-267-7100 www.kcba.org
- Nancy Bell Evans Center on Nonprofits & Philanthropy: 1-206-221-4629 http://tools.evans.washington.edu/research/nbec/index.php
- **♦ The Nonprofit Center:** 1-253-272-5844 <u>www.npcenter.org</u>
- Seattle University, Non Profit Leadership: 1-206-296-6000 www.seattleu.edu/artsci/npl/



National Resources for Charities

- Independent Sector: 1-202-467-6100 http://www.independentsector.org/
- Internal Revenue Service: 1-877-829-5500 www.irs.gov
- Nonprofit Risk Management Center: 1-202-785-3891 www.nonprofitrisk.org
- Board Source: 1-877-892-6273
 http://www.boardsource.org/
- Panel on the Non Profit Sector: 1-202-467-6120 www.nonprofitpanel.org



Charities Program Contact Information

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